



CHARITY COMMISSION
FOR ENGLAND AND WALES

Inquiry Report

REDAID

Former Registered Charity Number 1108615

A statement of the results of an inquiry into REDAID (former registered charity number 1108615).

Published on 27 December 2016.

The charity

REDAID ('the charity') was registered as a charity on 16 March 2005. It was removed from the register of charities for England and Wales (the register) on 14 December 2011. The charity was an unincorporated body and governed by a constitution dated 1 January 2005 ('the governing document').

The charity's objects were 'the relief of financial need and suffering among victims of natural or other kinds of disaster in the form of money (or other means deemed suitable) for persons, bodies, organisations and/or countries affected (including the provision of medical aid)' and 'the relief and assistance of people in any part of the world who are the victims of war or natural disaster, trouble or catastrophe in particular by the supply of medical aid to such persons'.

The charity's details can be viewed on the commission's [register of charities](#).

Issues under investigation

Before opening the statutory inquiry ('the inquiry') under the Charities Act¹ ('the Act') the Charity Commission ('the commission') conducted a regulatory compliance case, opened in June 2009 ('the investigation'). Information gathered during the investigation suggested the charity was acting outside of its objects and revealed financial irregularities in relation to how it operated its bank account.

In March 2010, the investigation issued a formal action plan. This included advice that the trustees should examine the charity's financial controls and ensure only the charity's income was placed in the charity's bank account and that their own financial transactions were completely separate to those of the charity.

Another requirement of the action plan was to ensure any future fundraising was clear, accurate and in the best interests of the charity. This was because the charity's proposed 'lend to charity programme' ('the programme') was misleading to the public in assurances it gave about the safety of any funds held. The programme was advertised to the public on the charity's website as an 'opportunity to help less fortunate people' whilst 'earning up to 10% per annum'. However misleading assurances were given that, if REDAID defaulted on a loan, legal action could be taken to recover the money 'with the help of the Charity Commission'.

In September 2010 the commission asked the trustees to provide an update on progress against the action plan but they were uncooperative. For example the chair of trustees ('the chair') incorrectly disputed that a copy of the action plan the commission provided for reference, was not the one they had 'provisionally' agreed to.

¹ At the time the inquiry was opened under Section 8 of the Charities Act 1993 so powers and legislation referred to in this document are under that Act. Statutory inquiries are now opened under Section 46 of the Charities Act 2011.

Following significant engagement with the trustees, on 9 December 2011 the inquiry was opened due to unresolved concerns that the trustees had failed to fully comply with the action plan or with the investigation's formal request for information and because they had not kept satisfactory financial records or undertaken any charitable activity.

The inquiry sought to establish:

- whether the charity was operating exclusively in furtherance of its objects for public benefit
- what administration, governance and management of the charity the trustees had undertaken
- what financial controls were in place for the charity
- whether there were unmanaged conflicts of interest or trustee benefit issues
- whether the trustees had complied with and fulfilled their duties and responsibilities as charity trustees under charity law

Findings

Whether the charity was being operated exclusively in furtherance of its objects for public benefit

The inquiry found little evidence that the charity was being operated exclusively in furtherance of its objects. The inquiry found that the charity was advertising another loan to charity scheme on its website called 'Re-Give'. This scheme had been set up as an Industrial and Provident Society and registered with the Financial Services Authority. In practice it was intended to be an online platform where UK organisations with a social purpose could publicise their activities and invite 'returnable donations' or loans directly from the public. These organisations would register on a website and, although there would be no joining fee, there would be a transaction fee of 3% of the amount of each loan. The inquiry was told the transaction fee was to be used to administer, advertise and expand the Re-Give initiative. However the inquiry found that any activity in support of Re-Give's development may not have been exclusively charitable.

The chair told the inquiry that, over the previous 2 years, the charity had not directly run any projects and current projects had not been progressed.

What administration, governance and management of the charity the trustees had undertaken

The inquiry found evidence of a failure of governance and management within the charity. The trustees failed to produce books and records to the inquiry when required to do so. The chair's explanation to the inquiry was that this was due to records being held on a corrupted laptop computer which was in the possession of a former trustee who was overseas. The chair conceded that books and records had not been properly kept.

The chair told the inquiry, although he knew the charity was required to put plans in place, the action plan had not been complied with because actions had been delegated to people who had not carried them out to a satisfactory standard.

What financial controls were in place for the charity

Trustees have a number of legal duties that must be met in relation to accounting and financial reporting. These include:

- keeping 'sufficient' accounting records to explain all transactions and show the charity's financial position
- preparing an annual report and statutory accounts meeting legal requirements

The inquiry found the trustees were unable to provide satisfactory evidence of adequate financial controls for the charity. For example, the chair told the inquiry that funds paid into the charity account were mainly to show a cash flow so they could apply for grants and funding from third parties.

The inquiry found the trustees did not adequately segregate charitable funds from other funds, for example the chair admitted he had kept about £1,000 of charitable funds in a personal bank account.

The inquiry found the trustees were unable to provide invoices to prove legitimate expenditure. In the inquiry's view, the chair gave unsatisfactory and/or confused reasons for this. For example, he said that many deals were made on the telephone by way of verbal quotes from companies so invoices had not been issued.

Whether there were unmanaged conflicts of interest or trustee benefit issues

The inquiry found little evidence to suggest that anyone other than the chair had made decisions in relation to the governance and management of the charity. The chair was the only trustee to attend a meeting with the inquiry and advised that the other current trustees had only been asked to act as such because the charity needed 3 trustees to function.

The chair told the inquiry that the trustees did not claim expenses and they were not paid, however the inquiry's inspection of charity bank statements showed 4 cash withdrawals totalling £14,500. The commission's guidance makes clear that payments in cash should be kept to an absolute minimum due to the greater risk that handling cash presents and difficulties that can arise in establishing correctness and control over significant cash transactions. Where payments are made in cash they should only be for small amounts, supporting documentation for the cash payment should be authorised by someone other than the person making the payment and cash withdrawals should be reviewed for authorisation and correctness by someone other than the person who withdrew the cash.

The chair's explanation for these cash withdrawals was that the money was used to research and develop Re-Give. However he was unable to provide invoices and gave unsatisfactory and/or confused reasons for this, explaining that the work was arranged informally and was not invoice based.

Whether the trustees had complied with and fulfilled their duties and responsibilities as charity trustees under charity law

The inquiry found that although the trustees had been supported with regulatory advice and guidance about discharge of their duties and responsibilities from the commission and the formal action plan, having accepted this, they failed to comply with it and missed the opportunity to resolve the administrative and governance failings identified by the investigation. The inquiry found this was evidence of the trustees' failure to fulfil their duties and responsibilities as charity trustees.

The inquiry found the trustees also failed to meet other responsibilities under charity law. The final accounts submitted showed the donation of the charity's remaining funds to another charity and the balance on the account to be zero. However the inquiry found evidence to suggest this was incorrect and/or false information as the inquiry established that the other charity had not received any funds from REDAID and the charity bank statements revealed the remaining balance was £10,535.

Conclusions

The commission concluded that there were serious governance and management failings at the charity. By act and/or omission, there was evidence of serious mismanagement and misconduct within the charity. The trustees failed to discharge their duties and responsibilities as charity trustees:

- although the trustees had been provided with regulatory advice and guidance, they did not follow it and the charity did not have, or put in place, adequate governance or management policies, procedures or processes to adequately address the regulatory concerns raised
- the trustees did not adequately segregate charitable funds from other funds and there were few if any financial controls over spend - they did not exercise proper financial management over the charity's funds
- the trustees were clearly unaware of or neglecting their legal responsibilities to administer and manage the charity properly
- unsatisfactory final accounts were submitted
- in the commission's view, the information and responses given by the chair were inadequate, unclear or vague - the other trustees did not provide information to the inquiry and there were strong indications to suggest the chair was in a position of significant influence and control, if not in sole control of the charity
- there was little evidence that the charity was being operated exclusively in furtherance of its objects - the charity had failed to demonstrate it had undertaken any charitable activity for at least 2 years or that the Re-Give initiative was exclusively charitable

Regulatory action taken

The inquiry removed the charity from the register of charities because it was not clear that what it had been doing was charitable and more recently that it was not operating.

The inquiry exercised its powers to request charity bank statements which revealed a £25,000 deposit followed by 4 cash withdrawals totalling £14,500. This left the remaining balance at £10,535.

The charity reported a nil balance in its final accounts so the inquiry exercised its powers to freeze the charity's bank account to protect the remaining funds and ensure they were correctly applied.

The inquiry referred the case to the police due to concerns about personal funds being used to show cash flow when applying for grants and due to the unsatisfactory final accounts.

Issues for the wider sector

Trustees are responsible for the overall management of the administration of their charity. Every charity needs an effective trustee body which has control over the administration of the charity. All decisions by the trustees concerning a charity should be taken by the trustees acting collectively because all trustees are equal in responsibility. A charity is entitled to the independent and objective judgment of each of its trustees, acting solely in the interests of the charity.

Charity trustees must not put themselves in a position where their personal interests conflict with their duty to act in the best interests of the charity. The onus is on charity trustees to be able to demonstrate that they have acted solely in the interest of the charity. A trustee's primary duty is to act in the best interests of the charity and, in the interests of transparency, to be able to demonstrate that they have done so.

Guidance on the core duties and responsibilities of trustees can be found on [GOV.UK](https://www.gov.uk).

It is the fundamental duty of all charity trustees to protect the property of their charity and to secure its application for the objects of the charity. In order to discharge this duty it is essential there are adequate internal financial and administrative controls over the charity's assets and their use. Where charity trustees wish to use funds in a way that does not comply with the terms upon which they are held, they should ensure that they have obtained the appropriate authorisation to do so before using the funds.

The commission's guidance makes clear that payments in cash should be kept to an absolute minimum due to the greater risk that handling cash presents and difficulties that can arise in establishing correctness and control over significant cash transactions. Where payments are made in cash they should only be for small amounts, supporting documentation for the cash payment should be authorised by someone other than the person making the payment and cash withdrawals should be reviewed for authorisation and correctness by someone other than the person who withdrew the cash.

The commission has produced guidance to assist trustees in implementing robust internal financial controls that are appropriate to their charity. **Internal financial controls for charities (CC8)** is available on [GOV.UK](https://www.gov.uk). There is also a **self checklist for trustees** which has been produced to enable trustees to evaluate their charity's performance against the legal requirements.